

## Community resources

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## Viewing cable 10TASHKENT27, Uzbekistan: From A to Zeromax \

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

### Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

### Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#10TASHKENT27**.

Reference ID	Created	Released	Classification	Origin
10TASHKENT27	2010-01-20 11:23	2011-08-30 01:44	CONFIDENTIAL	Embassy Tashkent

Appears in these articles:

[http://www.letemps.ch/swiss\\_papers](http://www.letemps.ch/swiss_papers)

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VZCZCXRO2796
RR RUEHAG RUEHBI RUEHCI RUEHDBU RUEHFL RUEHKW RUEHLA RUEHLH RUEHNP
RUEHPW RUEHROV RUEHSL RUEHSR
DE RUEHNT #0027/01 0201123
ZNY CCCCC ZZH
R 201123Z JAN 10
FM AMEMBASSY TASHKENT
TO RUEHC/SECSTATE WASHDC 1766
INFO ALL SOUTH AND CENTRAL ASIA COLLECTIVE
EUROPEAN POLITICAL COLLECTIVE
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244365 2010-01-20 11:23:00 10TASHKENT27 Embassy Tashkent CONFIDENTIAL 07TASHKENT2029|07TASHKENT237|08TASHKENT1072|08TASHKENT153|09TASHKENT921 V
RR RUEHAG RUEHBI RUEHCI RUEHDBU RUEHFL RUEHKW RUEHLA RUEHLH RUEHNP\
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INFO ALL SOUTH AND CENTRAL ASIA COLLECTIVE\
EUROPEAN POLITICAL COLLECTIVE C O N F I D E N T I A L SECTION 01 OF 04 TASHKENT 000027 \
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SIPDIS \
AMEMBASSY ASTANA PASS TO AMCONSUL ALMATY \
AMEMBASSY ANKARA PASS TO AMCONSUL ADANA \
AMEMBASSY BERLIN PASS TO AMCONSUL DUSSELDORF \
AMEMBASSY BERLIN PASS TO AMCONSUL LEIPZIG \
AMEMBASSY BELGRADE PASS TO AMEMBASSY PODGORICA \
AMEMBASSY HELSINKI PASS TO AMCONSUL ST PETERSBURG \
AMEMBASSY ATHENS PASS TO AMCONSUL THESSALONIKI \
AMEMBASSY MOSCOW PASS TO AMCONSUL VLADIVOSTOK \
AMEMBASSY MOSCOW PASS TO AMCONSUL YEKATERINBURG \
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E.O. 12958: DECL: 2020/01/20 \
TAGS: ECON EPET UZ
SUBJECT: Uzbekistan: From A to Zeromax \
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REF: 07 TASHKENT 237; 07 TASHKENT 2029; 08 TASHKENT 153 \
08 TASHKENT 1072; 09 TASHKENT 921 \
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CLASSIFIED BY: Berliner,Nicholas, PolEcon-Chief; REASON: 1.4(B), (D) \
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11. (SBU) Summary. Zeromax Gmbh (Zeromax) is a privately- owned, \
Swiss-registered company that operates in Uzbekistan through a \
series of joint ventures and investments in the oil and gas, \
mining, agriculture, textile, logistics and banking sectors. The \
company keeps a tight lid on all financial and ownership \
information. It is widely believed, however, that the company is \
controlled by Gulnara Karimova, the daughter of Uzbek President \
Islam Karimov, and a small number of Uzbek business people. Through \
its close government connections, Zeromax has positioned itself as \
a key player in Uzbekistan's highly lucrative natural resource \
sector and continues to expand into other areas of the Uzbek \
economy. End Summary. \
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CLOSE CONNECTIONS TO UZBEK STATE GAS AGENCY \
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12. (SBU) With proven natural gas reserves of 1.58 trillion cubic \
meters, Uzbekistan is the third largest natural gas producer in the \
former Soviet Union after Russia and Turkmenistan and one of the \
top ten natural gas-producing countries in the world. Uzbekistan \
also contains around 594 million barrels of proven oil reserves, \
and there are 190 discovered oil and natural gas fields in the \
country. The natural resource sector is strictly controlled by the \
Government of Uzbekistan (GOU). The GOU, however, relies on foreign \
firms to provide funds, equipment and expertise to help extract and \
export its resources. Uzbekneftegaz, a state-controlled national \
holding company, has responsibility for managing the sector, \
including supervising tender offers and other proposals for oil and \
gas concessions. (Note: Contract terms must be confirmed by the \
Uzbek Cabinet of Ministers, which has ultimate authority for \
granting licenses.) \
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13. (SBU) Leveraging its unofficial government ties through Karimova \
and a small group of Uzbek powerbrokers, Zeromax has established \
several lucrative joint ventures (JVs) with Uzbekneftegaz and \
aligned itself with foreign investors who wish to tap into \
Uzbekistan's natural resource sector. The company began operations \
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in Uzbekistan in 1999, securing natural resource concessions from \ the Uzbek state at highly advantageous terms. Now, Zeromax is \ involved in almost every aspect of the Uzbek oil and gas business: \ planning and engineering; exploration and production; construction \ of pipelines and other oil and gas infrastructures; and refining \ and retailing. By November 2007, Zeromax reportedly had invested \ approximately USD 400 million in the rehabilitation of Uzbekistan's \ industrial infrastructure, making it (at the time) the country's \ largest private foreign investor as well as its largest private \ sector employer. The same year it also sold a portion of its assets \ in Uzbekistan to Russia's Gazprom for a considerable profit. \

14. (SBU) As of December 2009, Zeromax has at least eight \ subsidiaries/JVs operating at various points along Uzbekistan's oil \ and gas supply chain. These entities include a fifty-fifty joint \ venture with the Uzbek state (Neftgaz Sanoat Loyiha) devoted to \ project engineering and a second Uzbek-Swiss JV (NefteGazMontaj) \ that designs and constructs pipelines. Zeromax is working on \ construction of the Uzbek portion of the new Turkmenistan-China \ pipeline in consortium with the China Petroleum Pipeline Bureau \ (CPP) and the China Petroleum Engineering & Construction \ Corporation (CPECC). Zeromax is also the dominant player in the \ retail gasoline industry, particularly high-grade octane, through \ its wholly-owned subsidiary, UzGazOil. UzGazOil operates 80 retail \ stations throughout Tashkent, Ferghana, and Karshi and controls \ approximately 70 percent of the retail gasoline market in these \ areas. \

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THE SWISS LINK \

15. (SBU) Founded in 1999 under the name Zeromax LLC in Delaware, \ USA, Zeromax re-domiciled as a Swiss entity in the Zug Canton in \ 2005 (now Zeromax GmbH), presumably to take advantage of the \ country's tax and finance laws. Other observers note that this move \ coincided with a downturn in U.S.- Uzbek relations following the \ U.S.'s condemnation of events in Andijon in May 2005. At this time, \ Karimova was also subject to an arrest warrant in the U.S. for \ refusing to obey a New Jersey court ruling granting her husband, an \ American-Afghan citizen, shared custody of their children. \

16. (SBU) Switzerland is now Uzbekistan's second biggest trading \ partner with export of natural gas comprising the largest part of \ Uzbek-Swiss trade. Zeromax is a main Swiss recipient of Uzbek \ currency receipts under a complicated gas export arrangement with a \ wholly-owned Swiss subsidiary of Gazprom Germania GmbH called ZMB \ Schweiz, a natural gas trading company focused on the exploration, \ production and sale of hydrocarbons. The details of the \ arrangement remain unclear; it is known that Uzbekistan is the core \ market for ZMB Schweiz's gas purchase activities, and Zeromax is \ the key supplier. 2008 natural gas deliveries from Uzbekistan to \ ZMB Schweiz totaled 11.5 billion cubic meters, exceeding the \ previous year's figure by 26%. ZMB Schweiz's 2008 Annual Report \ notes that its plans to set new contractual arrangements for the \ purchase of natural gas in 2009 with Zeromax. As a private company, \ Zeromax is not required to make public detailed financial \ information. Zeromax has disclosed that its operating revenues and \ total assets (on a consolidated basis) have doubled each year since \ 2006, reaching approximately USD 3 billion in revenue and assets \ for 2008, representative of about 10% of Uzbekistan's 2008 gross \ domestic product (USD 27.9 billion). \

17. (SBU) Officially, Zeromax's management team is headed by Miradil \ 18. Djalalov, an Uzbek national with close ties to the Karimov \ family and Russian-Uzbek tycoon Alisher Usmonov. However, Zeromax \ is widely rumored to be controlled by Gulnara Karimova and is \ thought to account for a significant portion of the family's \ purported multimillion-dollar fortune. In September 2008, President \ Karimov appointed his daughter Permanent Representative to the \ United Nations in Geneva, which some observers have noted helps \ position her to wield greater control over Zeromax. There are \ reports that Karimova has recently taken on new duties as Uzbek \ Ambassador to Spain, although she continues to reside in \ Switzerland and remain accredited to the U.N. in Geneva. \

ZEROMAX'S MINING EMPIRE EXPANDS \

18. (SBU) Zeromax is active in the mining industry and does business \ thorough JV Bentonite, an Uzbek-Swiss company that is 74% \ Zeromax-owned with the remainder held by a subsidiary of \ Uzbekneftegaz. The company extracts and processes bentonite, a clay \ found predominately in the Navoi Region of Uzbekistan. Bentonite \ may be used in more than 200 consumer products, such as paint, \ textiles, soap, and cosmetics. Zeromax is also the general \ contractor for Almalyk Mining and Metallurgy Combine OJSC's (AGMK) \ ore and mining processing plant project at the Khandiza field in \ Kashkadarya. AGMK, a GOU-controlled entity, is the largest copper \ producer and exporter in Uzbekistan. It intends to launch ore \ mining and processing operations in Khandiza in the first half of \ 2010. Zeromax began construction of the project in 2007. \

19. (C) In 2006, Zeromax became a strategic partner of Oxus Gold \ PLC, a company listed on the London Stock Exchange's Alternate \

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Investment Market, by acquiring 16% of the company's share capital. \ Oxus is a 50 percent joint venture partner with the GOU in \ Amantaytau Gold Fields (AGF), a gold mining operation that is \ developing concessions in Uzbekistan's Tien Shan Gold Belt, which \ boasts the world's second largest gold reserves after South \ Africa's Witwatersrand Basin. Some observers assert Oxus Gold \ aligned itself with Zeromax after becoming weary of dealing with \ local corruption and cronyism and to settle a dubious tax charge of \ USD 225 million, which was dropped by the GOU following the deal. \ The marriage has reportedly been difficult from the beginning with \ confidential Embassy sources stating that Oxus Gold executives \ privately have expressed both professional and personal differences \

with Zeromax management. Zeromax purchased its holdings at GBP \ 0.215 per share (about USD 0.35 at current exchange rates); with \ Oxus Gold currently trading at about GBP 0.09 per share and \ recording a 52-week high of GBP 0.15 per share, the Oxus Gold \ investment represents a significant paper investment loss for \ Zeromax. \

AND THERE'S MORE - AGRICULTURE & TEXTILES & LOGISTICS \

10. (SBU) Zeromax entered the agricultural sector in 2003 with the \ opening of a food processing plant and storage and distribution \ depot. The company has since expanded into cotton and wheat \ cultivation and cattle-breeding. In 2005, Zeromax acquired \ cultivation rights to more than 12,000 hectares of cotton-producing \ land and 15,000 hectares for wheat and other crops in Uzbekistan's \ Tashkent, Dzhezak and Syr Darya regions. All agricultural \ operations are consolidated under the subsidiary Muruvvat- \ Agrosanoat, which employs 3,000 fulltime workers and 9,000 seasonal \ workers. \

11. (SBU) In 2005, Zeromax also entered into textile production and \ manufacturing projects. Through its subsidiary Muruvvat-Teks, \ Zeromax operates six sewing factories, a Tashkent shopping mall, \ and a textile company in Khorezm region. To provide for efficient \ transit for its goods, Zeromax established Temiryul-Khizmat, a \ wholly-owned freight-forwarding subsidiary, in 2005. The company \ specializes in providing complex freight-forwarding services of \ valuable industrial equipment and other goods throughout the CIS. \ Other Zeromax assets include ownership of 64% of the "UzCable" \ factory, one of the larger cable producers in Central Asia; media \ businesses; and tourism. \

CURRENT U.S. CONNECTIONS \

12. (C) Despite re-domiciling in Switzerland, Zeromax continues to \ maintain close connections with certain members of the American \ business community. A U.S. citizen businessman now resident in \ Maryland was formerly President of and now serves as "Counselor" \ to Zeromax and as a member of the board of Oxus Gold. Zeromax is a \ major sponsor of the American-Uzbekistan Chamber of Commerce, which \ recently hosted the U.S.-Uzbekistan Investment Summit 2009 on \ October 8, 2009, in New York City. Elyor Ganiev, Deputy Prime \ Minister and Minister for Foreign Economic Relations, Investment \ and Trade and high-ranking figure, attended on behalf of the GOU. \ Another U.S. businessman claims that Zeromax, as part of a \ consortium with seven U.S. companies, will bid on Afghan transit \ business opportunities related to the Northern Distribution Network \ (NDN). \

QUESTIONABLE BUSINESS PRACTICES \

14. (SBU) There have been reports that the Uzbek state has used its \ TASHKENT 00000027 004 OF 004 \

power in support of Karimova's private business interests, allowing \ her to bully competitors and to channel additional assets into \ personal entities such as Zeromax. In a lawsuit filed in federal \ court in Houston in 2007, a Texas-based tea company that operated \ in the Uzbek packaged tea market sued its insurer for failing to \ pay out on extortion and kidnap coverage after Karimova allegedly \ used her influence with the government to drive the company out of \ the country, even arresting or threatening to arrest company \ employees to force them to sign over assets. \

15. (SBU) New Jersey-based Roz Trading Ltd. (ROZ), a company owned \ by Karimova's former in-laws - the Magsudi family, brought a series \ of claims against Zeromax for unlawful conspiracy and \ misappropriation of its ownership interest in a joint venture in \ the soft drink industry in Uzbekistan. According to ROZ, following \ Karimova's divorce from Mansur Magsudi, the GOU, on behalf of \ Karimova, seized ownership of Roz's assets in Coca-Cola Bottlers of \ Uzbekistan (CCBU) on the grounds that ROZ had failed to comply with \ tax and anti-monopoly regulations. Through a series of "sham \ proceedings," the GOU sold Roz's assets to Zeromax. Claims against \ Zeromax in the U.S. were dismissed due to lack of jurisdiction. In \ related arbitration initiated by ROZ at the International Arbitral \ Centre of the Austrian Federal Economic Chamber, the arbitral \ tribunal terminated the proceedings as to Zeromax Group, Inc. - the \ dissolved former affiliate of Zeromax, and the only Zeromax entity \ named as a defendant in the arbitration. \

Comment \

16. (C) Despite a lack of concrete data regarding its operations, \ Zeromax is widely perceived to be a powerful and not necessarily \ benign force in Uzbekistan's economy. Its expansion from the oil \ and gas industry and mining industry into other areas of the Uzbek \ economy means most international companies seeking to operate in \ Uzbekistan may find themselves engaging in business with \ Zeromax-related entities. The Embassy's message to those proposing \ to enter into business arrangements with Zeromax or its affiliates \ is to carry out full due diligence. We are not saying "don't do \ business with Zeromax" because such a stance may not be legally \ justified or sustainable in practice. However, any business \ arrangements should be entered into with open eyes, and the Embassy \ is prepared to advise and try to assist any American company that \ feels subjected to aggressive business tactics in Uzbekistan. \

NORLAND \